

STATEMENT OF SENATOR JOHN McCAIN
DISCRETIONARY SPENDING AT DOC AND DOT
TUESDAY, JULY 21, 1998

Welcome. Today the Committee will examine issues and problems with how discretionary funding decisions are made at the Departments of Transportation and Commerce. Each agency allocates, at its discretion, about \$1 billion each year to fulfill general purposes established by law.

One of the federal government's highest responsibilities is to ensure that taxpayer dollars are not wasted. Whether funding allocation decisions are made by Congress through statute or the administration through its discretionary authorities, our common obligation is to see that each and every taxpayer dollar is spent judiciously and on the highest priorities. Unfortunately, far too often, we fail to meet that obligation.

Over my tenure in Congress, I have fought Congressional earmarks that direct money to a particular project or recipient, believing that such decisions should be made through competitive, merit-based procedures. Traditionally, earmarking has been more geared to political interests rather than public priorities. Highway demonstration projects, earmarked by Congress, have been a classic case-in-point. Most of these projects, which cost billions of dollars, don't even show-up on state priority lists. So it is with many other earmarks.

Often, I've asked colleagues to refrain from earmarking money in appropriations bills to fund a particular project or institution, and allow it to compete so that merit and need might prevail.

I continue to believe strongly that's the right thing to do. But, that argument remains valid only so far as the administration adheres to appropriate policies and procedures to ensure that funding is allocated based on established priorities and merit-based selection criteria.

Accordingly, as part of this Committee's oversight role, I asked the Inspectors General at the Department of Transportation and at Commerce to review how discretionary funding decisions are made at these agencies. Specifically, I asked the IG's to report on the existence of merit-based selection criteria; the extent to which these criteria are adhered to; and to provide their recommendations on what steps should be taken to ensure that priorities, competition and merit prevail in discretionary funding decisions.

The Department of Transportation has concluded its review and issued its report to the Committee. The Department of Commerce IG's study is still underway, but I understand he is far enough along to share some interesting insights and preliminary findings with us today.

Both IG's report that their Departments have cooperated with the review and agency officials have been eager to receive the IG's findings and open to suggested remedies to reported problems. That is, of course, very positive. However, I must say I'm very disturbed about some of the IG's findings.

With respect to the Transportation Department, we're informed that in more than half the cases, the Federal Highway Administration uses it's discretion to fund lower priority projects. The IG reports that rarely are decisions to do so documented or justified. We're also informed that "congressional interest" continues to be an important funding criteria. I'm curious as to what extent Congressional interest influences discretionary funding decisions, and how this "consideration" relates to other factors such as documented need.

We're told that airports continue to game the Airport Improvement grant program by using their entitlement money to finance lower priority projects, while saving higher priority safety projects for discretionary requests because they may score higher in the selection process.

With respect to the Federal Transit Administration, the IG reports that the agency has no criteria to prioritize transit systems and bus facility projects, because monies for these programs are earmarked by Congress. These and other findings are worrisome and I look forward to probing them further.

As I said, the Department of Commerce review is not yet complete, but the IG reports troubling indications regarding the excessive use of "sole sourcing"--meaning grants and contracts are made without competition. He tells us that evaluation scores issued by expert panels created to assess funding proposals are adjusted after the fact without written explanation or justification; and that recipients of Congressionally earmarked money are not scrutinized or monitored as closely as other recipients of taxpayers' dollars. And, the IG reports, in a separate but related review, that monies exchanged between the Department of Commerce and other agencies are not properly scrutinized and accounted for. Again, these shortcomings are serious, and must be dealt with.

I look forward to the testimony and the departmental response to the IG's findings. I know our panels will agree that both Congress and the administration must be held accountable for how taxpayer dollars are spent. Improving the system to ensure the funds are allocated competitively based on established priorities, need and merit is our purpose and the focus of this hearing.

Again, thank you for being here.

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